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AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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**AGENDA ITEM** 4 D

TO: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne Brathwaite Burke  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM J. Tyler McCauley  
Auditor-Controller

**SUBJECT: DHS COPLAN CONTRACT**

At your request, staff from my Special Investigations Unit (SIU) reviewed various allegations of improper actions by James Stoodt, a consultant with Coplan & Company (Coplan), a County contractor. The allegations are contained in four anonymous letters and involve violating civil service/personnel rules, diverting County work to vendors, accepting gifts from vendors, over billing and/or improper billing, and approving County payments.

SIU staff conducted a number of interviews and reviewed related records. The result of our investigation is summarized below.

**Summary of Findings**

The Department of Health Services (DHS) appointed Mr. Stoodt as the CIO at LAC+USC. This is a highly unusual and questionable action. In addition, there is no provision in the Coplan contract for CIO services. We also noted that Mr. Stoodt was allowed to inappropriately prepare an employee's evaluation and timecards, authorize a payment to another contractor and approve services and supplies acquisitions.

DHS has also not properly monitored this contract, as it did not verify that the hours Coplan billed were actually provided. In addition, DHS obtained and paid for certain other unrelated Coplan services under this contract.

Because Mr. Stoodt was acting as the CIO of LAC+USC, DHS should have consulted with County Counsel and the Department of Human Resources to ensure that Mr.

Stoodt did not perform inappropriate functions. In addition, DHS should recruit and hire a permanent employee to fill the CIO position.

The following are specific allegations along with our findings.

### **Results of the Investigation**

#### **Background**

On February 8, 2000, the Board approved a \$922,775 contract with Coplan to assist the Department of Health Services with the implementation of the Affinity Healthcare Information System (HIS), Order Entry/Results Reporting, and management applications at LAC+USC Medical Center (LAC+USC). Under the contract, Coplan billed the County \$175 per hour for Mr. Stoodt's professional services. Mr. Stoodt assumed the duties of the Chief Information Officer (CIO) at LAC+USC on September 4, 2001. On October 11, 2001, Mr. Shawn Bolouki, the Acting Executive Director, confirmed Mr. Stoodt's CIO position by appointing him to the Network Executive Council and listing him on the LAC+USC organizational chart as the Director of Information Systems. In his memo, Mr. Bolouki stated, "Jim Stoodt of Coplan & Co. will assume the day-to-day operations of the Information Systems Department". The County's contract with Coplan expired on March 31, 2002. At the expiration of the Coplan contract LAC+USC initiated a \$30,000 Purchase Order to retain Mr. Stoodt's services. Under the Purchase Order Mr. Stoodt is paid \$115 per hour.

#### **Allegation 1**

Allegedly, Mr. Stoodt is supervising County employees, evaluating their performance, determining disciplinary actions, and selecting employees for promotion within the Information Management Services Office.

#### **Finding**

Per County Counsel, consultants may direct the assignments/activities of County employees. However, they should not approve timecards, evaluate employee performance or determine discipline. In performing his day-to-day duties as CIO, Mr. Stoodt approved the timecards for the Information Services staff and signed as the appraiser on a Data Processing Manager's Management Appraisal and Performance Plan evaluation.

We also reviewed LAC+USC disciplinary actions initiated since September 2001, with Kitty Scates, Operations Manager at LAC+USC Personnel Office. We did not find any disciplinary actions involving Information Systems personnel or any information that Mr. Stoodt recommended or determined discipline.

In addition, we reviewed the procedures Mr. Stoodt implemented for selection of a Data Processing Manager I (DPM I). The selection panel consisted of Mr. Stoodt and

several County employees in items lower than the DPM I position. Per Robert Navarro, LAC+USC Personnel Officer, as long as the selection committee was interviewing individuals from a current certified list, the selection committee could be comprised of whomever the responsible manager felt could best assist him in making a selection. However, Department of Human Resources staff indicated that, even when working from a certified list, it is highly irregular for a consultant and subordinate staff to select an individual for a County managerial position. Due to the current promotion and hiring freeze the position remains unfilled.

### **Conclusion**

This allegation is substantiated in part. Although, Mr. Stoodt did not recommend or determine discipline for County employees, he did sign timecards and the performance evaluation for one County employee. Per County Counsel, consultants should not approve timecards, evaluate employee performance or determine discipline. In addition, the process utilized by LAC+USC to select an individual for the DPM I position is highly irregular.

### **Allegation 2**

Mr. Stoodt is diverting County work to vendors that he has a financial interest in. In addition Mr. Stoodt received Christmas gifts from the HIS contractor.

### **Finding**

We reviewed vendor payments that were reviewed and/or approved by Mr. Stoodt and found one instance where he was the sole approval of a payment for \$185,792 to Compucare Co. (aka QuadraMed) for the Affinity Healthcare Information System. However, the Coplan contract specifically prohibits the consultant from obligating the County in any manner. Internal Services Department staff told us that this prohibition would include authorizing payments or authorizing requests for supplies and services. We noted that the Compucare contract was in place prior to Mr. Stoodt's tenure as the LAC+USC CIO. We found no transactions where Mr. Stoodt directed work to a vendor that was not on an approved County vendor list. During our interview, Mr. Stoodt told us that he did not have a financial interest in any County vendor. We also contacted QuadraMed's Client Manager who provided us with a statement that their firm has never provided Mr. Stoodt with any gifts nor did Mr. Stoodt possess any financial interest in QuadraMed.

### **Conclusion**

The allegations that Mr. Stoodt directed work to specific vendors or received gifts are not substantiated. However, his authorization of the payment to Compucare Co. was contrary to the contract and otherwise inappropriate.

**Allegation 3**

Coplan & Co. over billed and/or improperly invoiced the County for Mr. Stoodt's professional services.

**Finding**

The purpose of the Coplan contract was to assist the Department with the oversight of the Affinity Healthcare Information System, Order Entry/Results Reporting and Department Management. However, our review of the Coplan invoices disclosed \$13,490 billed for work performed on the Electronic Medical Records (EMR) Project. The contract manager, Kathy Shibata, Director of Planning and Development for the Department of Health Services, told us that Jonathan Williams, Associate CIO, Chief Information Office, directed them to charge the EMR costs to the Coplan contract. However, Ms. Shibata and Zina Glodney, DHS CIO, told us that they did not believe that the EMR work was directly related to the approved Statement of Work in the Coplan contract. However, they paid for the work under the Coplan contract because the Chief Information Office directed them to do so. Mr. Williams confirmed that he directed DHS to charge Mr. Stoodt's EMR billings to the Coplan contract. He indicated that his staff had requested Mr. Stoodt to comment on the EMR project because of his experience at LAC+USC. However, Mr. Williams also stated that he was initially unaware that Mr. Stoodt was going to bill the County for this work, but felt that since the EMR work was for LAC+USC, he was justified in directing that it be charged to the Coplan contract.

In addition, we found nine instances where charges totaling \$227 were submitted for Mr. Stoodt's meals and mileage without any corresponding professional service hours billed. Ms. Shibata told us she was aware of several days where Mr. Stoodt worked without submitting an invoice for professional services, but she could not provide specific dates. As a result, we were unable to determine the validity of these charges. In addition, we found that there was no independent verification of the hours that Coplan & Co. invoiced for Mr. Stoodt's professional services, since Mr. Stoodt did not submit a timecard to either LAC+USC or DHS management.

**Conclusion**

This allegation is partially substantiated. The work performed on the EMR project is not directly related to the approved Statement of Work in the Coplan contract. DHS purchased these services without a required contract or purchase order. Although, the questionable billing amounts for Mr. Stoodt's meals and mileage are not significant to the overall value of the contract, DHS should have carefully reviewed the invoices to ensure their validity. Of greater concern is the fact that there was no County verification for the hours invoiced by Coplan for Mr. Stoodt's professional services.

**Allegation 4**

Mr. Stoodt in his role as CIO approved County purchases.

**Finding**

In addition to the findings in allegation number two, we reviewed the process used by LAC+USC Information Services to request supplies and services. LAC+USC uses Health Services Form 2 (HS-2) to request supplies and services. We found numerous instances where Mr. Stoodt was the sole approver on the HS2 forms requesting various items for Information Services. Dan Mendias, Materials Manager, and his staff told us they followed a policy of processing HS-2 forms if the individual in charge approved them. Since LAC+USC management presented Mr. Stoodt as the CIO, they believed he was authorized to approve HS-2 forms. The Materials Management staff seemed quite surprised to be informed that Mr. Stoodt was a consultant and not a County employee. We determined that the HS-2 requests approved by Mr. Stoodt were for products from approved County vendors.

**Conclusion**

This allegation is substantiated. Mr. Stoodt approved requests for supplies and services for Information Services, which as a consultant, he is not authorized to do. In addition, LAC+USC Materials Management processed the requests for supplies and services approved solely by Mr. Stoodt because they believed Mr. Stoodt was an authorized approver since he was serving as the LAC+USC CIO.

**Additional Findings**

Our findings indicate that Mr. Stoodt has functioned as the LAC+USC CIO. According to County Counsel staff, Mr. Stoodt's services under the Coplan contract evolved to a point that they became highly questionable under civil service and Proposition A restrictions. Because of the highly unusual nature of the duties being performed it seems apparent that DHS managers should have sought legal advice and/or Board approval before sanctioning such a departure from a conventional consulting relationship.

If you have any questions, please call me at (213) 974-8301 or your staff may call Marion Romeis at (213) 974-0353.

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